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August 28, 1998

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AUG 28 1998

Ms. Magalie Roman Salas, Secretary  
Federal Communications Commission  
Office of the Secretary  
1919 M Street, N.W., Room 200  
Washington, DC 20554

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

ORIGINAL

Re: CC Docket No. 96-115, Electronic Audit/First Screen Requirements

Dear Ms. Salas:

On August 28, 1998, I submitted a detailed explanation of AT&T's estimates of its costs to implement the requirements of the recent Customer Proprietary Network Information (CPNI) Order that impose "electronic audit" and "first screen" provisions.

This explanation was addressed to Brent Olson, an attorney in the Common Carrier Bureau's Policy and Planning Division. Copies were sent to: Thomas Power, Legal Advisor to Chairman Kennard; James Casserly, Senior Legal Advisor to Commissioner Ness; Kevin Martin, Legal Advisor to Commissioner Furchgott-Roth; Kyle Dixon, Legal Advisor to Commissioner Powell; Paul Gallant, Legal Advisor to Commissioner Tristani; Kathryn Brown, Chief, Common Carrier Bureau; Carol Matthey, Chief, Policy and Planning Division, Common Carrier Bureau; Linda Kinney, Deputy Chief, Policy and Planning Division, Common Carrier Bureau; and, the FCC Secretary's office.

Two copies of this Notice are being submitted to the Secretary of the Commission in accordance with Section 1.1206(a)(1) of the Commission's Rules.

Very truly yours,

*James W. Spurlock* / Hm

cc: Mr. T. Power  
Mr. J. Casserly  
Mr. K. Martin  
Mr. K. Dixon  
Mr. P. Gallant  
Ms. K. Brown  
Ms. C. Matthey  
Ms. L. Kinney

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August 28, 1998

Mr. Brent Olson  
Attorney, Policy & Planning Division  
Common Carrier Bureau  
Federal Communications Commission  
1919 M Street, NW, Room 534-I  
Washington, DC 20554

**RECEIVED**

**AUG 28 1998**

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Re: CC Docket No. 96-115: Electronic Audit/First Screen Requirements

Dear Mr. Olson:

The provisions in the recent *CPNI Order*<sup>1</sup> that impose "electronic audit" and "first screen" requirements are both ineffective and inordinately costly. As AT&T has shown in this proceeding, there are better alternatives that can protect consumer privacy without the imposition of unwarranted new costs on the industry and, ultimately, consumers. The following provides a detailed explanation of AT&T's estimates of its costs to implement these requirements.

The electronic audit trail provisions of the *CPNI Order* would require AT&T to record every instance of access to CPNI data. Additionally, AT&T would be required to document which customers' CPNI was accessed, when it was accessed, by whom, and for what purpose. The *Order*'s "first screen" provision also would require AT&T to display on a computer terminal the status of each customer's "consent" or "lack of consent" before the customer's CPNI data could be accessed by appropriate AT&T employees. The consent/lack of consent display would have to be in a prominent position on the first computer screen that an employee could view -- usually when one is simultaneously speaking to that customer.

<sup>1</sup> *Implementation of the Telecommunications Act of 1996: Telecommunications Carriers' Use of Customer Proprietary Network Information and Other Customer Information*, CC Docket No. 96-115, Second Report and Order and Further Notice of Proposed Rulemaking, released February 26, 1998 ("CPNI Order" or "Order").

## **TIME AND COST ANALYSIS**

AT&T performed an analysis of what would be required to comply with these provisions of the *CPNI Order*. The results of this analysis represent AT&T's best estimate of the costs it would incur, and the methodology used conforms to AT&T's standard software development process. For these purposes, the analysis was divided organizationally into two parts -- one for our Business Markets Division; the other for the Consumer Markets Division, including AT&T Wireless.

The first step in AT&T's analysis was to define what "access" to CPNI means. AT&T (a) chose a definition of CPNI access, and then (b) determined the systems and work activities that would be necessary to deliver the ability to track CPNI "access." AT&T included in its definition of "access" the review of CPNI related to sales, marketing, and customer account servicing. AT&T also included those steps in billing (including on-line review), provisioning of service to the customer, and network systems after the point where individual call detail (usage) data is collected at the customer account level.<sup>2</sup> As would be expected, the definition of "access" to CPNI that AT&T employed encompasses both instances where customer records are viewed by a trained employee (such as, customer account servicing or telemarketing purposes), and where customer account records in a database are electronically reviewed or evaluated for inclusion in a marketing list.

AT&T's overall compliance costs are related directly to the size of its systems. AT&T's Year 2000 Project team estimates that AT&T has 300 million lines of computer programming instructions. These lines of code are contained in hundreds of distinct, interconnected systems that transmit data back and forth via numerous interfaces. AT&T also uses over 60 different billing systems. Reflective of the varied and complex markets that it serves, AT&T has separate systems for many services and products. Thus, even a relatively straightforward code modification is both complex and costly due to the sheer number of interfaces that must be tested to assure system reliability.

When estimating work-related costs, AT&T accounts for systems requirements, systems design or modification, hands-on programming and, finally, testing. The time component of AT&T's Time and Cost systems analysis is straightforward. AT&T examined the two essential factors -- (1) available resources; and (2) AT&T's relevant business experience with staff redeployment, staff training and, if appropriate, retention

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<sup>2</sup> AT&T's definition of "access" to CPNI is consistent with the Commission's *Order*. It does not include, however, the multiple steps in message recording, message rating and other internal processing prior to billing -- all of which, in the literal sense, also involve "access" to CPNI, but involve little, if any, human interaction with the data. Had AT&T included message recording, message rating and other internal processes in its definition of access to CPNI, AT&T's annual cost for an Electronic Audit Trail would total a staggering \$714 million. After a year of operation, the audit trail databases would be larger than all of AT&T's internal databases combined.

of project contractors. The result is the estimated minimum number of workdays required to change or modify a system or set of related systems. AT&T then applies an average rate for development that relates workdays to cost.

### **ELECTRONIC AUDIT TRAIL COSTS**

Using the methodology discussed above, AT&T estimated one-time development cost of \$271 million for its business, consumer, wireless, and network systems to implement the electronic audit trail capability. This figure is broken down as follows:

#### **One-Time Development Costs for Electronic Audit Trail**

AT&T Business systems	\$130 million
AT&T Consumer systems	\$ 70 million
AT&T Wireless systems	\$ 40 million
AT&T Network systems	<u>\$ 31 million</u>
TOTAL AT&T	<u>\$271 million</u>

#### **Annual Costs for Electronic Audit Trail**

AT&T also calculated the continuing, annual costs to process data to implement an electronic audit trail and retain the data for a year or more. To avoid an "apples to oranges" comparison, AT&T performed its analysis of continuing costs using the same methodology that was used for estimating one-time charges. Continuing costs include additional hardware and software, enhanced storage capacity, computer floor space, and dedicated systems personnel. The continuing costs are:

TOTAL AT&T	<u>\$275 million</u>
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### **FIRST SCREEN COSTS**

AT&T also used its standard methodology for determining the costs of implementing first screen requirements. AT&T's Business Markets Division has well over 100 systems that provide on-line screens and are accessed by employees in various aspects of sales, marketing and customer care. Development work would need to be undertaken and system interfaces would need to be constructed for each of these systems to be able to display the customer's consent status -- information that would need to be downloaded from a central data repository. AT&T's estimate for modifying the Business Markets Division's first screens and for creating related interfaces is \$75 million.<sup>3</sup>

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<sup>3</sup> It is important to recognize that in AT&T's Business Markets Division, the customer "contact points" are more numerous and more varied than in its Consumer Markets operations. These contact points require different systems, which would each need their own first screen accessibility.

Implementing the first screen requirement in the *CPNI Order* for AT&T's Consumer Markets Division is not as complex as it would be for our Business Markets Division. AT&T's Consumer Markets systems operate on a unitary basis for the most part, and they already employ a primary "screen" at AT&T's customer service centers. Our estimate is that the cost to modify these systems would be approximately \$1 million. Accordingly, AT&T only sought relief from the first screen requirements for its Business Markets Division.

### **OVERALL ELECTRONIC AUDIT TRAIL AND FIRST SCREEN COSTS**

The overall costs to AT&T of complying with the electronic audit trail and those aspects of the first screen requirement from which AT&T continues to seek relief are summarized below:

• CPNI Electronic Audit Trail	
One-time Development Costs	\$271 million
Annual Costs	<u>\$275 million</u>
	\$546 million in Year One
• CPNI First Screen	
One-Time Development Cost	\$ 75 million in Year One
 <u>GRAND TOTAL</u>	 <u>\$621 million in Year One</u>

### **ALTERNATIVES TO ELECTRONIC AUDIT TRAIL AND FIRST SCREEN**

The expenditure of \$271 million of one-time costs and \$275 million of ongoing annual costs for an electronic audit trail far outweigh its potential benefits. Most importantly, the value of the system inherently depends on the credibility of the information entered into the audit trail system. Yet, no system can overcome the fact that an individual who seeks to access or use CPNI for an improper purpose also will likely misstate the purpose of access as well. For this fundamental reason, although the electronic audit trail is extremely costly, it also is an ineffective compliance mechanism.

In earlier comments in the *CPNI Order* proceeding, AT&T specifically suggested alternatives that would more effectively and efficiently safeguard customer privacy concerns than the electronic audit trail.<sup>4</sup> Random internal compliance audits, for example, are far preferable to elaborate electronic audit trails. An actual audit of employees -- with emphasis on marketing, sales and customer care employees who have frequent access to CPNI -- is much more probative because it would show whether implemented training programs have been effective. Unlike the electronic audit trail, the resulting audit report would not compile volumes of useless access data.

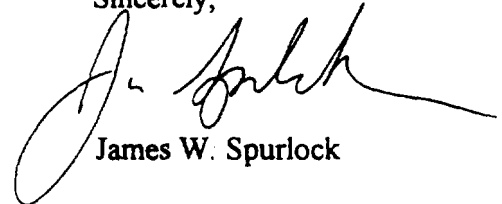
<sup>4</sup> AT&T Reply to Oppositions to and Comments on Petitions for Reconsideration, CC Docket No. 96-115 (July 8, 1998), 4-5.

Rather, it would provide specific feedback on compliance with the CPNI rules and also possible areas for improvement.

As AT&T urged, the Commission should allow carriers the flexibility to use alternative CPNI consent tracking mechanisms where establishment of a first screen requirement is not practicable, as in the case of AT&T's Business Markets Division. An appropriate and more cost-effective alternative to the first screen requirement would be a centralized customer consent database. With proper training, sales, marketing and customer care employees can be instructed to access the customer consent database in those situations where out-of-category sales activity is contemplated.

AT&T strongly urges the Commission to take action expeditiously to stay the electronic audit trail and first screen sections of the *CPNI Order*, and then to eliminate those costly requirements in favor of alternatives that achieve the Commission's public policy objectives without unnecessarily burdening carriers and their customers.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Spurlock", with a long horizontal flourish extending to the right.

James W. Spurlock

cc: Thomas Power  
James Casserly  
Kevin Martin  
Kyle Dixon  
Paul Gallant  
Kathryn Brown  
Carol Matthey  
Linda Kinney  
FCC Secretary's Office